

# Virginia Small Business Financing Authority

## *Virginia Capital Access Program*

### **Purpose:**

The Virginia Small Business Financing Authority's (VSBFA) *Virginia Capital Access Program (VCAP)* provides access to capital for Virginia businesses by encouraging banks in Virginia to make loans that they would otherwise not make due to a borrower's riskier profile. Unlike typical government guaranty programs, which provide a guaranty of a specific loan, *VCAP* utilizes an insurance concept on a portfolio of loans. *VCAP* establishes a loan loss reserve at each participating bank, which is funded by enrollment fees paid by the Borrower/Bank and matching fees paid by the VSBFA. Because the participating bank determines what loans to enroll without VSBFA's involvement, *VCAP* is a flexible, non-bureaucratic tool to assist banks in meeting the financing needs of Virginia's businesses.

### **Accessing the Program:**

To apply for financing through *VCAP*, a business makes application to a bank participating in the *Virginia Capital Access Program*. A current list of the banks participating in *VCAP* is available from VSBFA.

If the participating bank determines that the proposed financing request does not meet the bank's normal underwriting guidelines, the bank will then determine whether the proposed loan transaction would be acceptable if the loan were enrolled in *VCAP*. The VSBFA does not participate in the bank's underwriting decision or the bank's decision to utilize *VCAP* to provide financing.

Once the bank has approved the loan for enrollment in *VCAP*, the bank determines the enrollment fee based on the bank's perceived level of risk. The non-refundable enrollment fees can range between 3% and 7% of the enrolled loan amount. Generally this enrollment fee is passed on in whole to the borrower by the participating bank. VSBFA contributes a matching fee equal to 100% of the enrollment fee. However, in order to encourage new participating banks, the VSBFA provides a double match on the enrollment fees for the first \$1 million in enrolled loans. Additionally, once a bank has reach \$1 million in enrolled loans, the VSBFA can continue to provide a one-time double matching fee for the benefit of certain targeted borrowers. These targeted borrowers are technology businesses, businesses majority owned by socially disadvantaged or economically disadvantaged individuals, or businesses located in rural communities as defined in the *VCAP* Bank Participation Agreement. Both the enrollment fees and VSBFA's matching fees are contributed to a loan loss reserve fund established for the benefit of the bank. In the event of a default on an enrolled loan, the bank can utilize funds in this reserve to offset its loss.

### **Program Features:**

- Eligible Loan Uses: Funds are available for working capital, expansion, equipment and most other business needs. Loans for residential real estate or for passive real estate investment are not eligible for enrollment.
- Eligible Loan Types: Loans or revolving lines of credit are eligible.
- Eligible Borrowers: 501c3s and any for-profit corporation, partnership, limited liability corporation, limited liability partnership, joint venture, sole proprietorship, cooperative or other entity which is authorized to conduct business in the Commonwealth of Virginia and meets the VSBFA's definition of "small business".
- Maximum Enrolled Loan Amount: The maximum, aggregate outstanding loan amount(s) which may be enrolled for any single borrower, or any common enterprise in which the borrower has an ownership interest, is \$250,000.
- Maximum Enrolled Loan Term: Although the Bank may have a longer note maturity and amortization period, the maximum term the loan is enrolled under *VCAP* is 10 years from the date of enrollment.
- Enrollment Fee: Enrollment fees are typically between 3% and 7% of the enrolled loan amount and are typically paid by the borrower.